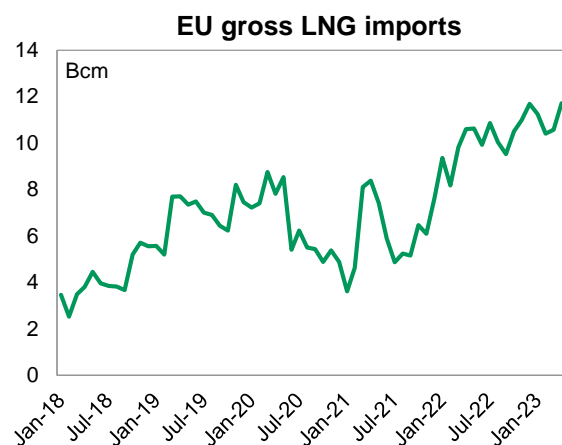


2023-2024 SCENARIO

Gas: long live frugality

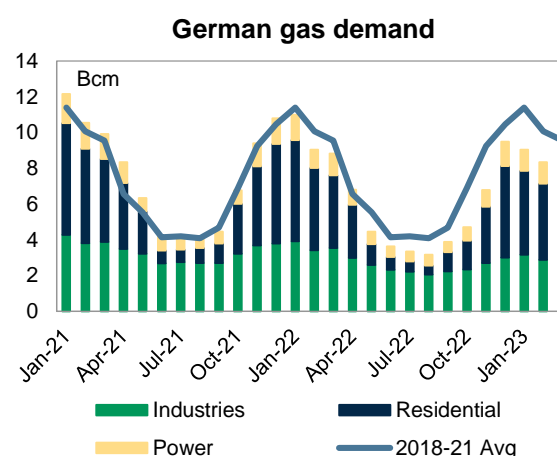
Frugal energy use enabled Europe to get through this past winter without shortages or blackouts. This approach will have to continue, in order to strengthen Europe's ability to meet the challenges that the gas market is likely to face in the future.

As winter came to an end, natural gas prices continued to fall, reaching levels well below those of last year, when the Nord Stream 1 pipeline was still operational in Q222. This miracle is essentially due to the reduction in demand for natural gas, both in Europe and Asia. Many Asian countries have reduced their natural gas consumption, often by increasing their coal consumption. This drop in demand for LNG (Liquefied Natural Gas) in Asia means that Europe can maintain its LNG imports, which are so crucial to its energy security. Europe has also reduced its consumption of natural gas. The frugal measures taken over the winter, and continued this spring and summer, have ensured that inventories are filled to capacity. Now almost 75% full, European inventories are almost a month-and-a-half ahead of the average fill rate. The combination of LNG imports and lower consumption means that we can look forward to the coming winter with more confidence than last year.



Source: Crédit Agricole S.A.

However, we need to remain cautious and maintain the frugal measures over 2023 and 2024. It is possible that the Dutch authorities will announce the permanent end of operations at the Groningen gas field, which has supplied Europe since 1963, before the end of 2023. With peak production of 88bn m³ in 1976, Groningen, which was responsible for the "Dutch disease" that affected the Dutch economy in the 1960s, was a major source of supply for Europe until the mid-2010s. While Groningen was still producing 57bn m³ in 2013, the accumulation of earthquakes in the operational zone has prompted the Dutch authorities to significantly reduce its production. By 2022, Groningen was producing just 4.8bn m³. If its shutdown is confirmed before the end of 2023, Europe will then either have to import more LNG or reduce its consumption by the same amount to avoid tension in a gas market with little new capacity in 2023 and 2024. What is more, even though Europe has enjoyed relatively mild winters in recent years, we cannot rule out the possibility of a harsher winter in the future, which will inevitably increase natural gas consumption to meet greater heating needs.



Sources: © Bundesnetzagentur, Destatis, CA S.A./ECO

Excluding exceptional weather conditions, **if the natural gas market in Europe manages to maintain its current balance around the two pillars of LNG and frugal energy use, then natural gas prices should remain stable**, albeit with the risk of volatility from time to time.

Article published on June 30, 2023 in our quarterly
[World – Macro-economic Scenario 2023-2024: normalisation plays hard to get](#)

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